

## Active Member Edition Winter 2019

### Five Ways to Protect Your Assets

You work hard tucking away money into savings with sights set on a comfortable retirement. Unfortunately, there are some who see your savings as a target for easy money. Taking these five steps can help you dodge common traps and safeguard your financial future.

#### Be Cautious with Family

The harsh truth is family commits nearly two-thirds of senior financial abuse. Some abuse is malicious while others are unintentional. Requesting money without a thought of the economic impact on a parent may be innocent but has real consequences. To protect yourself, create a financial plan early and share with several people including family members, friends, or financial advisors. Keeping communication open will help set necessary boundaries and develop a system of checks and balances.

#### Recognize Intimidation Scams

Scammers present themselves over the phone as Social Security, Medicare, IRS, sheriff's department or even the utility company. They provide scenarios designed to provoke panic or fear in hopes you readily give up personal or banking account information to resolve a fake crisis. Stay alert to these scams and do not get caught up emotionally and fall victim to their scheme. If you don't initiate the call, hang up instead of providing information. Look for a publicly listed phone number if you want to confirm an issue.

*(Continued on page 7)*

### Director's Corner

*Joseph A. Fox, Executive Director*

According to our latest actuarial valuation, OPERS is now 98% funded. The funded ratio represents the percentage of actuarial assets available to pay for accrued benefit payments to retirees. The System had \$9.7 billion in assets as of July 1, 2018, and the unfunded accrued liability shrunk to \$226 million. If our contribution stream continues uninterrupted and the System meets all of its actuarial assumptions, the unfunded accrued liability could be paid off within a few years. That would be remarkable considering where the system was less than a decade ago.

These numbers are encouraging and represent the attention and dedication our Board of Trustees has for our 80,000 members. This has also not gone unnoticed nationally as OPERS was recognized as one the best funded among the 100 largest public pension systems by *Pensions & Investments*, an industry publication.

As I write this article for the newsletter, freezing rain, sleet, and snow are forecasted over the next few days and expected to cause some power disruptions, hazardous roads, and closings. Such weather events are not uncommon in Oklahoma, but the less prepared we are for these events, the more stressful they can become.

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# RETIREMENT 101

## Life Insurance

Have you thought about your life insurance needs lately? Life insurance is a vital part of every retirement plan and protects you against risk. The risk is your death or the death of a loved one. The loss of a spouse could mean losing a second income, struggling to save enough for retirement, or losing savings to taxes. Life insurance would protect your family and loved ones if you were to die. A life insurance policy might be the right tool for protecting your retirement savings plan.

### How Much Insurance

Determine the amount of insurance you need by estimating your:

- *Income replacement* - How much would your family need to replace your income if you pass away, and how long will they need this income? Until your children graduate or your spouse retires?
- *Outstanding debts* – Do you have medical debt, credit cards, or a mortgage your family would be responsible for after your death?
- *Funeral costs* – The average funeral costs between \$7,000 and \$10,000.

Non-income earners need a policy too. Figure the cost of the services a stay-at-home parent provides: child care, transportation, cleaning, cooking, etc. Replacing these many services in the event of death would be costly.

Even for retired couples, death means a loss of income whether that be Social Security benefits, a pension, or an additional source of income. Will your survivor be able to maintain the lifestyle you worked so hard to achieve? What if they outlive you by 10 or 20 years?

Do you want to leave something to your children or grandchildren? A life insurance policy could provide an inheritance. If you already have a plan to will assets to your heirs, a life insurance policy could cover estate taxes and other costs, preventing your beneficiaries from selling assets at a loss. Work with an experienced insurance agent to structure the policy to avoid probate and to avoid estate and income tax liability.

### Types of Policies

A *term life insurance policy* provides a benefit in the event of your death. You are buying a promise from an insurance company that it will pay your beneficiaries a set amount if you die during the policy's term. In exchange, you pay a periodic premium to the company for the duration of that term. Your beneficiary will only receive a death benefit if you pass away within the term.

A *whole life insurance policy* pays a benefit in the event of your death and also accumulates a cash value. These policies are much more expensive, but the policyholder can withdraw or borrow against an accumulated cash value. However, failing to repay the loan will lower the death benefit provided to your beneficiaries or cause the policy to lapse and have tax consequences. These policies tend to have a lower return on investment than traditional savings vehicles, like 457 Plans or IRAs. Insurance agents are paid hefty commissions to sell whole life policies. Consider working with an independent financial advisor to be sure this type of insurance is right for you and to handle any loans and withdrawals efficiently.

### Life Insurance

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### Group Insurance

Most employers offer life insurance as part of a benefits package. You should evaluate the policy and your overall needs to ensure you are properly covered. Be aware, in most instances, you may not be able to keep group life insurance if you change jobs. As you age, life insurance becomes more expensive, and you may consider purchasing a separate policy now to keep yourself covered at a lower cost.

### Additional Coverage

When you purchase life insurance, you may be able to add a variety of riders that add benefits at a lower price. One rider pertinent to retirement planning is for long-term care. If you need to use a nursing home or home health aide services, the policy will pay for care by reducing the death benefit. This could be less expensive and easier to qualify for than a stand-alone long-term care policy.

# PERSPECTIVE

Popular Annual Financial Report  
for the Fiscal Year Ended June 30, 2018

Dear Esteemed Member:

We are pleased to bring you the Popular Annual Financial Report for the Oklahoma Public Employees Retirement System (OPERS) for the fiscal year ended June 30, 2018. This report contains summary financial information from the 2018 Comprehensive Annual Financial Report (CAFR) written in layman’s terms. The theme of this year’s CAFR is “Perspective.”

Perspective isn’t just an art term; it’s also the way we view what we do in an effort to gain a broader understanding of our mission.

The health and stability of this retirement plan and helping Oklahoma’s public employees achieve a secure and lasting retirement is what guides our actions. Each opportunity to serve our members is with the perspective of providing comprehensive, accountable and financially sound retirement services.

We hope you find this report informative.

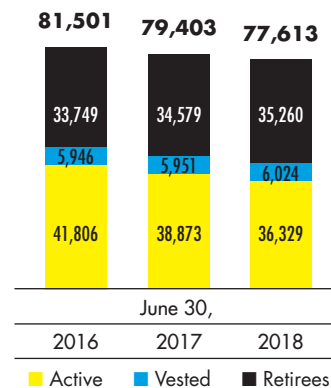
Sincerely,

Joseph A. Fox  
Executive Director

## ABOUT OPERS

OPERS was established in 1964 by the Oklahoma Legislature. As of June 30, 2018, the Plan consisted of 283 participating employers comprised of state, county, and local agencies. The membership includes 36,329 active members, 6,024 inactive members, and 35,260 retirees and beneficiaries. Active membership has steadily decreased since the creation of the mandatory Pathfinder Defined Contribution plan for new state employees after November 1, 2015.

## Demographics Chart



## NET POSITION

The net position restricted for pension and health insurance subsidy plan (HISP) totaled approximately \$9.7 billion at June 30, 2018, compared to \$9.2 billion at June 30, 2017 and \$8.4 billion at June 30, 2016. The net position is available for payment of monthly retirement benefits and other qualified distributions to the System's participants. Equity markets performed well during fiscal year 2018, resulting in an increase in net investment income which led to an increase in net position restricted for pension/HISP benefits from June 30, 2016 to June 30, 2017 and from June 30, 2017 to June 30, 2018.

## CHANGES IN FIDUCIARY NET POSITION

OPERS is funded through a combination of member contributions, employer contributions and investment earnings. For the year ended June 30, 2018, fiduciary net position increased by \$472.6 million, or 5.1%, from June 30, 2017. Total assets increased \$206.2 million, or 2.0%, due to a 4.1% increase in investments and partially offset by a 25.5% decrease in securities lending collateral. The System achieved a money-weighted rate of return of 8.4% compared to the prior year of 12.6% resulting in the majority of the increase in fiduciary net position. Total liabilities decreased \$266.4 million, or 21.4%, due to a 17.0% decrease in pending purchases of securities and a 25.5% decrease in the securities lending collateral liability.

Deductions to fiduciary net position are incurred primarily for the purpose for which OPERS was created, namely the payment of benefits to retirees. For the year ended June 30, 2018, total deductions increased \$18.5 million, or 3.0%, from the prior year. Retirement, death, and survivor benefits increased \$18.6 million, or 3.1%, due to a 2.0% increase in the number of retirees at year end and a 1.3% increase in the average benefit. Refunds and withdrawals remained unchanged from prior year. The 1.1% decrease in administrative costs was primarily due to a decrease in professional services costs.

## BENEFITS PAID TO MEMBERS

Members qualify for full retirement benefits at their specified normal retirement age or, for any person who became a member prior to July 1, 1992, when the sum of the member's age and years of credited service equals or exceeds 80 (Rule of 80), and for any person who became a member on or after June 30, 1992, when the member's age and years of credited service equals or exceeds 90 (Rule of 90). Normal retirement age under the Plan is 62 or Rule of 80/90 if the participant became a member prior to November 1, 2011, or age 65 or Rule of 90 if the participant became a member on or after November 1, 2011.

The *Schedule of Benefit Payments* to the right provides information on the total benefit expenses incurred by the Plan consisting of age and service, disability, and beneficiary death benefits.

## Condensed Schedules of Fiduciary Net Position

(\$ millions)	2018			2017			2016*
	Pension	HISP	Combined	Pension	HISP	Combined	
<b>Assets:</b>							
Cash and cash equivalents	\$ 216.4	\$ 6.6	\$ 223.0	\$ 113.3	\$ 5.9	\$ 119.2	\$ 120.7
Receivables	223.6	8.1	231.7	340.9	11.8	352.7	283.1
Investments	9,403.9	344.1	9,748.0	9,042.9	318.3	9,361.2	8,449.8
Securities lending collateral	459.7	16.8	476.5	618.2	21.8	640.0	500.7
Property and equipment	0.2	—	0.2	0.4	—	0.4	0.5
Other assets	0.6	—	0.6	0.3	—	0.3	0.3
<b>Total assets</b>	<b>10,304.4</b>	<b>375.6</b>	<b>10,680</b>	<b>10,116.0</b>	<b>357.8</b>	<b>10,473.8</b>	<b>9,355.1</b>
<b>Liabilities:</b>							
Other liabilities	483.8	17.7	501.5	583.8	20.5	604.3	418.9
Securities lending collateral	459.7	16.8	476.5	618.2	21.8	640.0	500.7
<b>Total liabilities</b>	<b>943.5</b>	<b>34.5</b>	<b>978.0</b>	<b>1,202.0</b>	<b>42.3</b>	<b>1,244.3</b>	<b>919.6</b>
<b>Ending fiduciary net position</b>	<b>\$ 9,360.9</b>	<b>\$ 341.1</b>	<b>\$ 9,702.0</b>	<b>\$ 8,914.0</b>	<b>\$ 315.5</b>	<b>\$ 9,229.5</b>	<b>\$ 8,435.5</b>

\*Prior year column for 2016 has not been restated for the effect of the adoption of GASB Statement No. 74

## Condensed Schedules of Changes in Fiduciary Net Position

(\$ millions)	2018			2017			2016*
	Pension	HISP	Combined	Pension	HISP	Combined	
Member contributions	\$ 66.9	\$ —	\$ 66.9	\$ 70.3	\$ —	\$ 70.3	\$ 73.8
State and local agency contributions	258.9	19.1	278.0	269.5	18.9	288.4	296.2
Net investment income	735.0	25.5	760.5	1,013.9	35.7	1,049.6	15.6
<b>Total additions</b>	<b>1,060.8</b>	<b>44.6</b>	<b>1,105.4</b>	<b>1,353.7</b>	<b>54.6</b>	<b>1,408.3</b>	<b>385.6</b>
Retirement, death and survivor benefits	592.7	18.8	611.5	573.9	19.0	592.9	565.4
Refunds and withdrawals	16.0	—	16.0	16.0	—	16.0	15.9
Administrative expenses	5.1	0.2	5.3	5.2	0.2	5.4	5.2
<b>Total deductions</b>	<b>613.8</b>	<b>19.0</b>	<b>632.8</b>	<b>595.1</b>	<b>19.2</b>	<b>614.3</b>	<b>586.5</b>
Net (decrease) increase in fiduciary net position	447.0	25.6	472.6	758.6	35.4	794.0	(200.9)
Beginning of year	8,914.0	315.5	9,229.5	8,155.4	280.1	8,435.5	8,636.4
<b>End of year</b>	<b>\$ 9,361.0</b>	<b>\$ 341.1</b>	<b>\$ 9,702.1</b>	<b>\$ 8,914.0</b>	<b>\$ 315.5</b>	<b>\$ 9,229.5</b>	<b>\$ 8,435.5</b>

\*Prior year column for 2016 has not been restated for the effect of the adoption of GASB Statement No. 74

## INVESTMENTS

The Board of Trustees adheres to the highest standard in making investment decisions for the Plan – the Prudent Investor Rule. The Board and its advisors invest the Plan’s assets for the sole interest of our membership and their beneficiaries. In addition, funds are to be diversified to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so. The increase in the System’s managed investments is reflective of the increase in domestic and international equity markets for the year. The System’s overall return for the year ended June 30, 2018 was 8.4%. The *Rate of Return* table to the right reflects overall investment returns over the past six fiscal years.

The Board of Trustees has established the *Statement of Investment Policy* to guide investment decisions and outline the overall investment philosophy of the Plan. The investment philosophy is supported by three main pillars: identifying the importance of asset allocation and rebalancing; diversification of the asset base as the primary risk control element; and, controlling costs through passive investment management where most appropriate.

The Board engages outside investment managers to manage the various asset classes where OPERS has exposure. At fiscal year end, the investment portfolio of OPERS was actively managed by three fixed income managers, seven domestic equity managers and two international equity managers. OPERS’ investment portfolio also consisted of passively managed index funds, including one fixed income index fund, one domestic equity index fund and two international equity index funds.

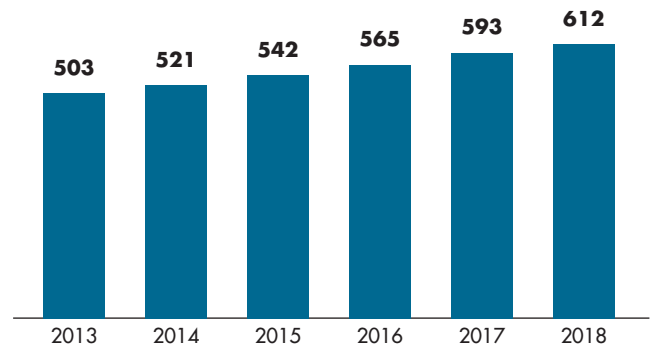
For fiscal year 2018 investments provided an 8.4 percent rate of return. The annualized rate of return for OPERS was 7.0 percent over the last three years and 8.3 percent over the last five years. The allocation of the investment portfolio, as of June 30, 2018, is shown in the *Asset Mix* chart to the right.

## FUNDING

A pension fund is well funded when it has enough money in reserve to meet all expected future obligations to participants. It must also have a revenue source sufficient to keep up with future obligations. The funding objective for OPERS is to meet long-term benefit promises through contributions that remain approximately level as a percent of member payroll. The greater the level of funding, the larger the ratio of assets accumulated to the actuarial accrued liability and the greater the level of investment potential. The advantage of a well-funded plan is that the participants can look at assets that are committed to the payment of benefits. The actuarial accrued liability and actuarial value of assets of OPERS as of July 1, 2018 amounted to \$9.9 billion and \$9.7 billion, respectively.

The OPERS funded status increased to 97.7 percent at July 1, 2018. The funded status had declined from 73.0 percent at July 1, 2008 to 66.0 percent at July 1, 2010 before significantly increasing to 80.7 percent at July 1, 2011 due to the removal of the cost-of-living-adjustment (COLA) assumption, and further increased to 93.6 percent at July 1, 2015. The *Funded Ratio* chart to the right shows the change in funded status over the past six fiscal years.

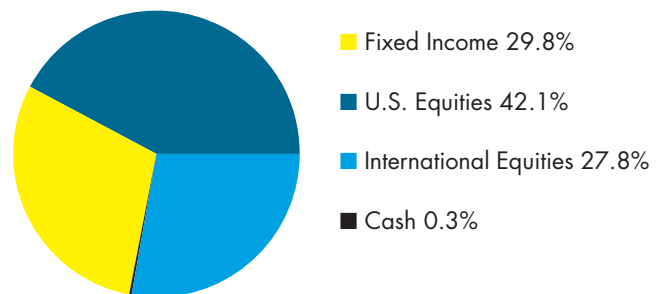
Schedule of Benefit Payments (\$ millions)



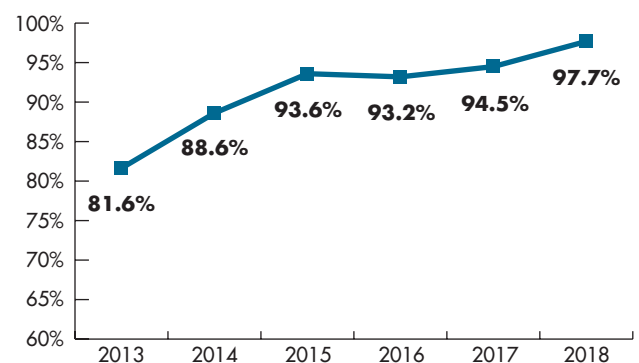
Rate of Return

Year Ended June 30,	Total
2018	8.4 %
2017	12.8 %
2016	0.3 %
2015	3.2 %
2014	18.0 %
2013	12.0 %

Asset Mix

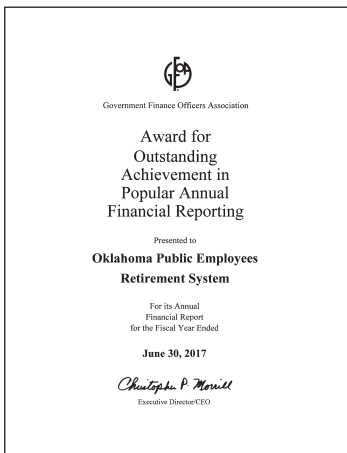


Funded Ratio



# OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

## OPERS AWARDED FOR EXCELLENCE IN FINANCIAL REPORTING



The Government Finance Officers Association of the United States and Canada (GFOA) has given an *Award for Outstanding Achievement in Popular Annual Financial Reporting* to the Oklahoma Public Employees Retirement System for its Popular Annual Financial Report for the fiscal year ended June 30, 2017. The Award for Outstanding Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

To receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a

Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability and reader appeal. An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. OPERS has received the award for the last eleven consecutive years. We believe our current report continues to conform to the award requirements, and we are submitting it to GFOA.

In addition, OPERS was awarded the *Public Pension Standards Award for Funding and Administration* by the Public Pension Coordinating Council, a confederation of the National Association of State Retirement Administrators, the National Conference on Public Employee Retirement Systems, and the National Council on Teacher Retirement. This is the eighth consecutive award OPERS has received in recognition of meeting professional standards for plan funding and administration as set forth in the Public Pension Standards.

# Healthful *hints*

## Protect Your Ears

### *Hearing Loss Affects the Brain*

Do you have difficulty following a conversation in a crowded room or feel others are mumbling? Do you have trouble understanding phone conversations or find yourself asking those around you to repeat themselves? If you answered yes, you might be one of approximately 36 million Americans experiencing hearing loss.

The Center for Hearing and Communication finds those with hearing loss wait an average of seven years before seeking help, which may lead to auditory deprivation or the brain “forgetting” how to hear and understand speech. If the brain doesn’t have the opportunity to hear, then everyday sounds will become unfamiliar. Once sound returns, with the assistance of hearing aids, the brain may not know how to interpret and process this information in the same way it did before.

Hearing loss often progresses subtly, becoming greater over time. This loss may severely impact your professional and personal life, even leading to isolation or depression. Experts encourage regular screenings as part of an annual physical, especially as you approach your retirement years. Speak with your doctor about your concerns and ask for a referral to see an audiologist or otolaryngologist. These professionals can test for hearing loss and create a treatment plan. Early detection of hearing loss will help keep the brain active and able to process the information it receives.

#### Did You Know?

- Your ears are self-cleaning. Avoid cotton swabs and ear candles, which can damage your eardrum. Instead, try over-the-counter eardrops or a few drops of water or hydrogen peroxide down your ear canal. Give a few minutes then turn on your side to drain.
- Studies show a strong correlation with eating a healthy diet and having a lower susceptibility to hearing loss.
- Heart disease, high blood pressure, and diabetes put ears at risk by interfering with the blood supply to the ears.
- The chemicals found in cigarettes have been shown to increase the risk of hearing loss.
- Over-the-counter pain relievers, such as aspirin or ibuprofen, can lead to either temporary or permanent hearing loss. While occasional use is harmless, taking these medications frequently may cause permanent damage to your ears.

## 2019 OPERS PRE-RETIREMENT SEMINAR SCHEDULE

Are you ready for retirement? The full-day Pre-Retirement Seminar is open to everyone within two years of retirement eligibility. Call (405) 858-6737 or (800) 733-9008 to register. Dates and additional information are available at [www.opers.ok.gov/confidence](http://www.opers.ok.gov/confidence).

## Five Ways to Protect Your Assets

*(Continued from page 1)*

### Apply Password Safety

Maintaining good password practices protects your bank, retirement and other financial accounts. Use strong passwords that are long, contain random capitalization and symbols, and are changed frequently. Never use the same or a similar password for more than one account. If keeping up with all those passwords is too complicated, look into using a password manager to create and store unique passwords.

### Don't Overshare

In this age of social media, we share too much personal information publicly, making it easier for identity thieves and swindlers to develop a rapport with their victims. Make use of privacy settings and lock down your accounts as much as possible. Obituaries are another source used to gather information. When writing a memorial for a deceased loved one, omit birthdates, addresses, middle names and names of children or grandchildren. A skilled fraudster can easily use these details to steal an identity of the living or deceased or build a convincing scam to prey on the survivors.

### Avoid Investment Schemes

Whether it's framed as an opportunity for early retirement or an incredible investment, any offer requiring large amounts of money should be met with skepticism. Ask for references and credentials, then thoroughly research before trusting someone with your money. Also, do not grant your financial advisor the right to send money to a third party. It may be inconvenient to have money come to you to submit to a third party, but it protects you from a scam artist who skims a little at a time.



O K L A H O M A

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### Director's Corner

*(Continued from page 1)*

Such is the nature of a public retirement system. There are bumps in the road along the way in the form of uncertain economic times and volatile capital markets. I'm happy to report your retirement system is prepared for these events and focused on long-term success to protect the assets held in trust for the people we serve. OPERS continues to be well-funded and on course.

Included in this newsletter is information on the national awards OPERS has received for financial reporting, administration, and funding. These national recognitions would not be possible without our dedicated staff that works hard so that you may have confidence in your retirement.

OPERS is strong today, and we are committed to keeping it that way.

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### REMINDER: Update Your Beneficiary

It is important to review beneficiary forms often and make changes as necessary. Beneficiary forms may be updated at any time. OPERS will honor the most recent beneficiary form on file. Visit our website at [www.opers.ok.gov/forms](http://www.opers.ok.gov/forms).

### Contact OPERS

**Mailing Address:**

Oklahoma Public Employees Retirement System  
Post Office Box 53007  
Oklahoma City, Oklahoma 73152-3007

**Local Phone:**

(405) 858-6737

**Outside Local Calling Area:**

(800) 733-9008

**Website:**

[www.opers.ok.gov](http://www.opers.ok.gov)

**Article Idea? Comments?**

**We want to hear from you!**

[newsletter@opers.ok.gov](mailto:newsletter@opers.ok.gov)

*This publication, printed by the University of Oklahoma Printing Services, is issued by the Oklahoma Public Employees Retirement System (OPERS) as authorized by its Executive Director. **Thirty-seven** thousand five hundred (37,500) copies have been prepared and distributed at a cost of \$5,025.00. An electronic version of this publication has been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.*

*Mailed February 2019*